CITY
OF
LONDON

FINANCIAL REPORT

1987

88-03917/

THE CORPORATION OF THE CITY OF LONDON

FINANCIAL REPORT

for the year ended December 31, 1987

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THE CORPORATION OF THE CITY OF LONDON
300 DUFFERIN AVENUE
P.O. Box 5035
London, Ontario, Canada
N6A 4L9

LETTER OF SUBMITTAL

March 24, 1988

His Worship, Mayor T. C. Gosnell
and Members of Council of
The Corporation of the City of London

Your Worship, Ladies and Gentlemen:

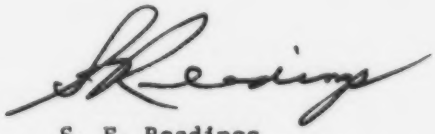
It is my privilege to present to you the Financial Report of The Corporation of the City of London and its related Boards and Commissions consolidated according to Provincial guidelines for the year ended December 31, 1987.

The Report includes a Consolidated Balance Sheet and a Consolidated Statement of Operations for the Corporation as well as other supporting schedules. These statements and schedules reflect prudent financial policies on the part of City Council and the administration. In addition, these financial statements are a report on the stewardship of the City's operations through the provision of services to the citizens of London. The statements are prepared in accordance with the requirements of the Ministry of Municipal Affairs. The auditors' report from Touche Ross & Co. attests that these statements present fairly the results of the operations and financial position of the City.

All supporting schedules and audited statements for each of the Boards and Commissions, as submitted to the Ministry of Municipal Affairs, are available upon request through my office.

In an effort to provide additional information relevant to the City's financial position, we have also included a Treasurer's Highlight Report and several pages of financial and statistical data which may be of assistance in assessing London's overall financial strength.

The year 1987 was an excellent year for London as a community and a financial success for the municipal Corporation. We look forward to an equally successful 1988.



S. F. Readings
City Treasurer

THE MUNICIPAL COUNCIL

DECEMBER 1, 1985 to NOVEMBER 30, 1988

MAYOR
Tom Gosnell

CONTROLLER (a)(c)
Jack Burghardt

CONTROLLER (c)
Orlando Zamprogna

CONTROLLER (d)
Art Cartier

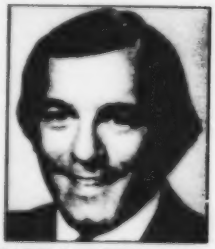
CONTROLLER (b)
Joseph Fontana

WARD 1 ALDERMAN (b*)
John Irvine

WARD 1 ALDERMAN (d)
Joe Avola

WARD 2 ALDERMAN (d*)
Bob Beccarea

WARD 2 ALDERMAN (b)
Frank Flitton



WARD 3 ALDERMAN (b)
Pat O'Brien

WARD 3 ALDERMAN (c)
Bernie MacDonald

WARD 4 ALDERMAN (b)
Alf James

WARD 4 ALDERMAN (d)
Dawn Erskine

WARD 5 ALDERMAN (c)
Grant Hopcroft

WARD 5 ALDERMAN (d)
Gary Williams

WARD 6 ALDERMAN (c*)
Janet McEwen

WARD 6 ALDERMAN (b)
Paul Yorke

WARD 7 ALDERMAN (c)
Gordon Jorgenson

WARD 7 ALDERMAN (d)
Ted Wernham

(a) Deputy Mayor, (b) Member of Environment & Transportation Committee, (c) Member of Community & Protective Services Committee, (d) Member of Planning Committee, * Indicates Chairman of Committee

THE CITY ADMINISTRATION

CITY OF LONDON SENIOR MANAGEMENT TEAM

M. C. ENGELS
City Administrator

K. W. SADLER
City Clerk

S. F. READINGS
City Treasurer

D. B. DUTTON
City Engineer

R. A. BLACKWELL
City Solicitor

K. L. PERRY
Director of Planning
and Development

H. G. HOWLETT
Director of Social
Administration

TREASURER'S HIGHLIGHT REPORT

The following comments are intended to highlight, and supplement, for the reader points which are pertinent to a clear perspective and understanding of the financial position of the City of London. In addition, pages 12 and 13 show a five year historical review of certain key financial elements.

Municipal Fund Balances

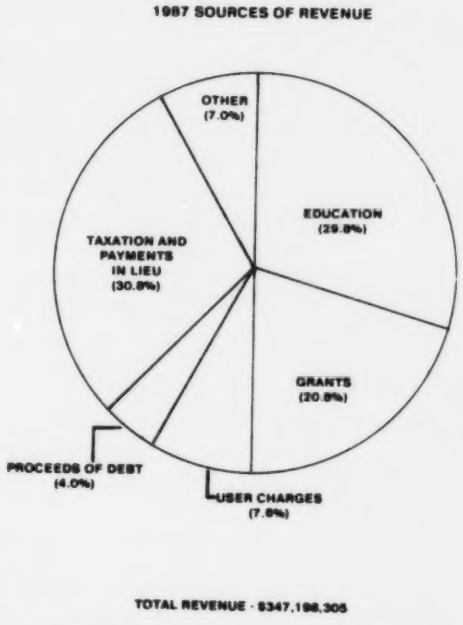
The caption Municipal Fund Balances refers to two elements that the reader may be more familar with as accumulated surplus or deficit of the revenue fund, and the over or under financed position of the capital fund at year end.

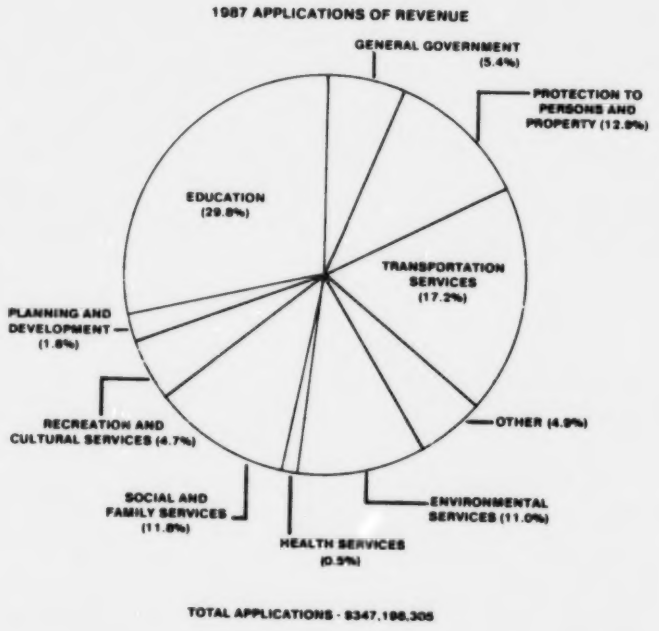
Note 9 in the financial statements splits the municipal fund balances into six categories and reflects a net increase of $239,606 in the year-end position 1987 over 1986.

As in 1986, the consolidated surplus of **$4,225,996** was generated primarily through unprojected revenues in supplementary taxes and building permits. This continued an extremely positive period of residential and commercial development.

Sources and Applications of Revenues

The following two pie graphs highlight the sources and applications of revenue in 1987. The graphs combine the operations of the current fund, capital fund and all reserves and reserve funds.





TREASURER'S HIGHLIGHT REPORT

Taxes Receivable

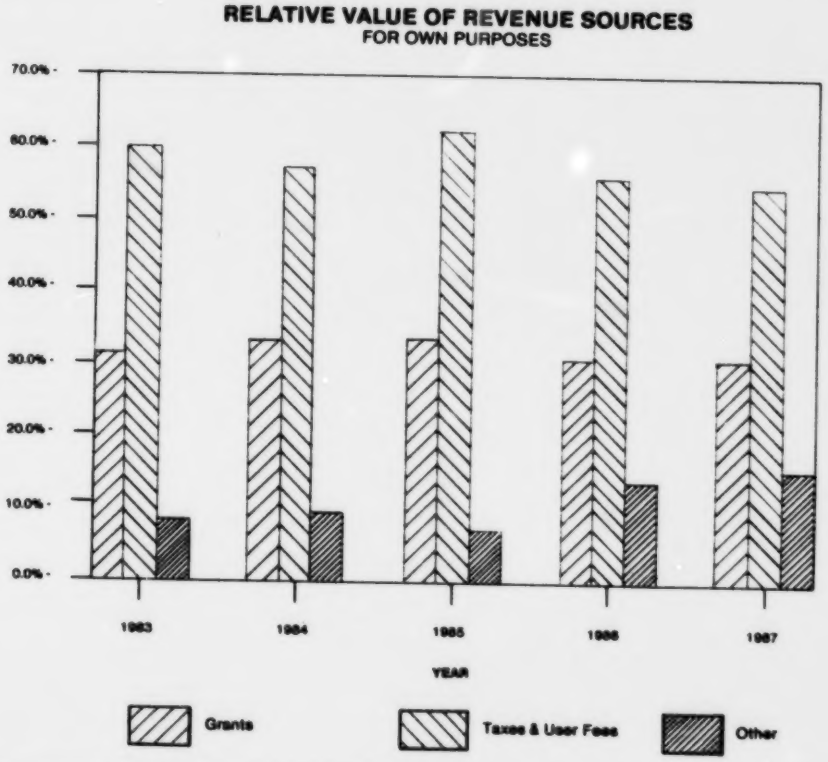
The City of London's taxes receivable position continues to be excellent. At the end of 1987, taxes receivable were 2.5% of the total taxes levied for 1987. This varies slightly from the position at the end of 1986, which was 2.3% of the total 1986 taxes levied. The following table highlights the two years' information:

	1987	1986
Total Taxes Levied	**$201,285,081**	$186,422,422
Taxes Receivable as at December 31	**$ 5,068,782**	$ 4,241,446
Taxes Receivable Expressed as a Percentage of Total Taxes Levied	**2.5%**	2.3%

Note: Taxes Receivable as at December 31, 1987 does not include an offset for the balance in the allowance account of **$178,953** (1986 - $544,742).

Revenue Sources

The bar graph below illustrates the relative value of the sources of revenue for all City funds combined for each of the last five years.



TREASURER'S HIGHLIGHT REPORT

Credit Rating

On February 19, 1988, Moody's Investors Service confirmed London's outstanding Aaa credit rating.

Quoting the opinion section of Moody's Canadian Credit Report:

> "Low debt burden, manageable capital requirements, satisfactory finances and a stable and diverse economy support the prime credit quality rating."

An ongoing commitment of the Municipal Council, and the City Administration to sound financial management contributes to such positive statements.

1987 Debenture Issue

The Corporation of the City of London tendered two separate debenture issues during 1987.

The first tender was held in May for an amount of $2,850,000. It was an issue on behalf of Covent Garden Parking Inc. for the financing of the expansion of the St. Joseph's Hospital Parking Garage.

Reflecting the City's credit rating and current market conditions, bids were received between $99.47 per $100.00 and $97.709 per $100.00. Pemberton Houston Willoughby Bell Gouinlock Inc. was awarded the tender based on their $99.47 per $100.00 bid. Their bid reflected an average interest cost of 9.984% for the lifetime of the issue.

This first issue was in the form of serial instalment debentures maturing between 1988 and 2002, with interest rates ranging from 8.75% for the earlier maturities, to 10.25% for the later maturities.

A second tender call took place in October relative to a $13,500,000 issue for a number of municipal projects such as roads, pollution control, sanitary sewers, residential and industrial development, garbage disposal and local improvements.

The bids received ranged from $99.20 per $100.00 to $98.095 per $100.00, again reflecting our excellent credit rating and market conditions at the time. Midland Doherty Limited/Royal Bank was awarded the tender based on their bid of $99.20 per $100.00 which translated into an average interest cost of 10.157% over the term of the issue.

This issue was in the form of serial instalment debentures maturing between 1988 and 1996. The interest rates range from 9% for earlier maturities to 10.25% for later maturities.

TREASURER'S HIGHLIGHT REPORT

Analysis of Net Long Term Liabilities

The following chart highlights statistics relative to the net City debt per household for each of the past five years. The debt figures shown reflect no foreign exchange effects.

Year	Tax Supported Net Long Term Debt (General Municipal Activities) (000's) $	Households	Debt Per Household $
1983	51,603	108,049	478
1984	50,273	108,181	465
1985	55,562	110,359	503
1986	55,671	113,617	490
1987	61,063	117,145	521

Projections for Future Debt Charges for Net Long Term Liabilities Existing December 31, 1987

The following tables outline principal balances outstanding at the year end and the debt charges payable over the next five years relative to the net long term liabilities outstanding as at December 31, 1987.

In recent years, the City of London has committed itself to shorter repayment periods on debt issued. The following tables highlight our accelerated repayment process and the dollars committed in each of the next five years to debt charges. The amounts shown reflect no foreign exchange effects.

Retirement of Tax Supported Debt Outstanding as at December 31, 1987 ($000's)

	1987 $	1988 $	1989 $	1990 $	1991 $	1992 $
	61,063	52,036	43,366	35,298	28,044	20,755
Percentage of December 31, 1987 Debt Remaining	100.0%	85.2%	71.0%	57.8%	45.9%	34.0%

TREASURER'S HIGHLIGHT REPORT

Debt Charges on Tax Supported Debt Outstanding as at December 31, 1987 (000's)

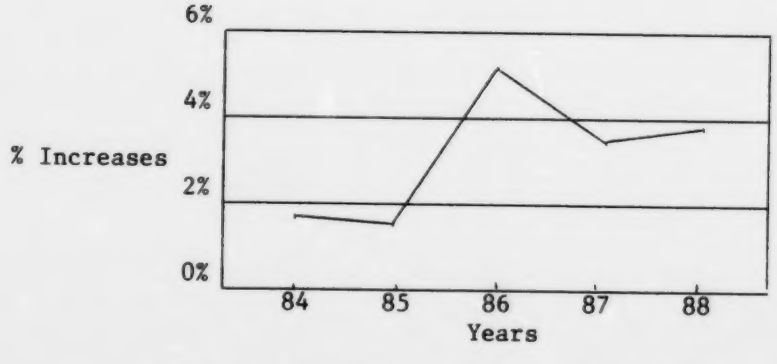
	1988 $	1989 $	1990 $	1991 $	1992 $
Principal	9,027	8,670	8,068	7,254	7,289
Interest	6,019	5,148	4,305	3,514	2,787
Total	15,046	13,818	12,373	10,768	10,076

Assessment Growth

The City, due to an active development market and a growing and dynamic economy, enjoyed a 3.7% taxable assessment growth over 1987. This increase will assist in containing 1988 mill rate growth.

A graph illustrating assessment growth for the taxation years 1984 through 1988 is shown below:

ASSESSMENT GROWTH
1984-1988



Note: 1986 Assessment Growth of 5.07% was largely a result of re-assessment.

Mill Rate Growth

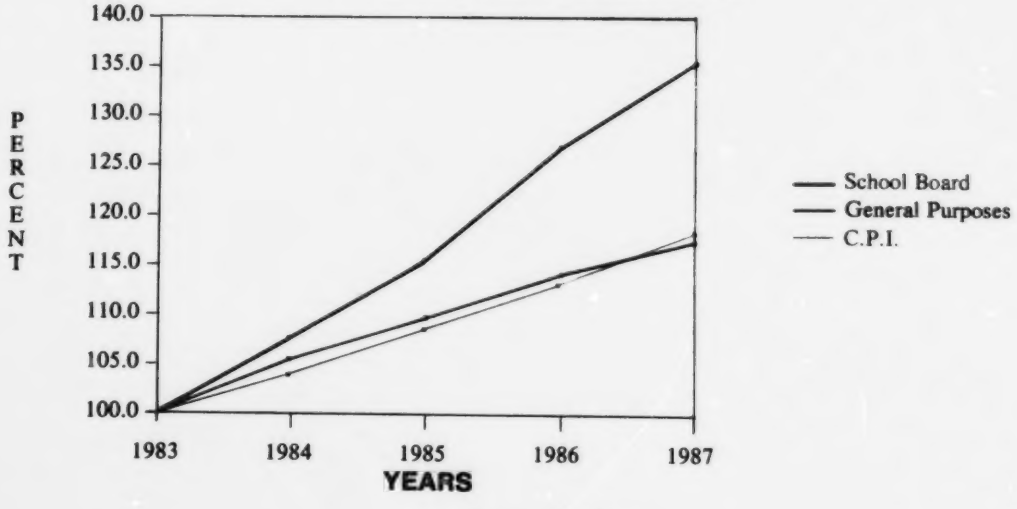
The Municipal Council and the City Administration are committed to containing the mill rate growth for general municipal purposes.

The following table highlights the growth in the general municipal residential mill rate, relative to the Consumer Price Index, and the residential mill rate for education purposes.

TREASURER'S HIGHLIGHT REPORT

	Consumer Price Index (Annual Average) %	Residential Mill Rates: General Municipal %	Residential Mill Rates: School Board Purposes %
1983	100.0	100.0	100.0
1984	104.4	105.1	108.8
1985	108.5	109.4	116.3
1986	113.0	113.7	127.6
1987	117.9	117.3	135.3

COMPARISON OF RESIDENTIAL MILL RATES WITH CONSUMER PRICE INDEX



Property Taxes

	1987 $	1986 $	1985 $	1984 $	1983 $
Municipal	647.76	627.84	604.32	580.32	552.36
Education	675.96	637.56	581.10	543.48	499.62
Total	1,323.72	1,265.40	1,185.42	1,123.80	1,051.98

Note: The taxes are based on average residential assessment of $6,000.

TREASURER'S HIGHLIGHT REPORT

Reserves and Reserve Funds

As at December 31, 1987, the Municipality had combined reserves and reserve funds of **$44,064,896**. These balances reflect a net increase of $12,559,984 over the December 31, 1986 closing balances.

Note 10 of the financial statements provides a breakdown of the reserves and reserve funds by purpose and would be useful for the reader to review in connection with these highlights. Below is a breakdown of the reserves and reserve funds by entity:

	Reserves		Reserve Funds	
	1987	1986	**1987**	1986
	$	$	**$**	$
City of London	**8,610,525**	7,433,559	**31,420,836**	20,612,063
Board of Commissioners of Police			**208,659**	50,075
London Public Library	**21,832**	12,925		
London Downtown B.I.A.	**22,615**	15,615		
East London B.I.A. (Centretown B.I.A.)	**3,897**	3,897		
L.T.C.	**807,077**	1,124,458	**2,969,455**	2,252,320
	9,465,946	8,590,454	**34,598,950**	22,914,458

The reader should also note that included in the reserve fund balances for the City of London is the Urban Growth Capital Works Reserve Fund. The value of this reserve fund at December 31, 1987 is **$12,130,174** (1986 - $6,612,752). The most significant element contributing to the net increase in balances in reserves and reserve funds, as was the case in 1986, is the $5,517,422 increase in the balance of that fund. Once again in 1987, this increase is attributable to the exceptional year the City experienced in residential and commercial development.

Economic Highlights

While the following highlights do not discuss items specifically addressed within the financial statements, they do provide the reader with a frame of reference on which to base an evaluation of the overall financial and economic environment in the City of London.

TREASURER'S HIGHLIGHT REPORT

General Statistics:

	1987	1986
Population	280,140*	276,000*
Area in Acres	43,900	43,900
Number of Households	117,145	113,617
Building Permit Values	$428,959,539	$329,000,807

* Since no census figures available, these figures are estimated.

Average Selling Price of Homes:

	1987 $	1986 $
London	97,962	83,140
Ontario	135,874	108,149
Canada	111,518	94,902

Sources: Canadian Real Estate Board
London and St. Thomas Real Estate Board

Unemployment Rates (Annual Averages):

	1987 %	1986 %
London	7.0	7.1
Ontario	6.1	7.0
Canada	8.9	9.6

Source: Statistics Canada

Summation

1987 was an excellent year for London as a community and a financial success for the Municipal Corporation.

We look forward to 1988 with enthusiasm and the expectation that our municipality will continue to prosper.

FIVE YEAR FINA

	1987
TAXABLE ASSESSMENT	
Residential Farm	$552,666
Commercial and Industrial	186,000
Business	82,172
TOTAL TAXABLE ASSESSMENT	$820,838
MILL RATES	
Residential and Farm	
for General Municipal Purposes	107.96
for School Board Purposes	112.66
Total Residential and Farm	220.62
Commercial and Industrial	259.54
TAX ARREARS	
Percentage of Current Levy	2.5%
NET LONG TERM LIABILITIES	
(U.S. $ Converted at Historical Rates)	
General Municipal	$61,316
Municipal Enterprises	2,127
	$63,443
CHARGES FOR NET LONG TERM LIABILITIES	
General Municipal Activities	$13,866
CAPITAL FINANCING DURING THE YEAR	
Contribution from Own Funds	$ 6,645
Net Long Term Liabilities Incurred	14,033
Ontario Grants	7,729
Other	2,663
	$31,070
CAPITAL EXPENDITURES DURING THE YEAR	$32,028
ACCUMULATED NET REVENUE AT YEAR END	$ 4,226
RESERVES AND RESERVE FUNDS	$44,065

Note: All dollar amounts are in thousands of dollars.

NCIAL REVIEW

1986	1985	1984	1983
$532,084	$510,645	$503,832	$492,884
181,246	169,549	166,660	164,826
80,111	75,339	74,459	74,297
$793,441	$755,533	$744,951	$732,007
104.64	100.72	96.72	92.06
106.26	96.85	90.58	83.27
210.90	197.57	187.30	175.33
248.11	220.35	206.26	187.78
2.3%	3.0%	4.6%	5.5%
$55,964	$55,885	$50,628	$51,989
2,333	1,959	2,350	2,791
$58,297	$57,844	$52,978	$54,780
$13,992	$12,234	$13,247	$12,264
$ 8,147	$ 6,615	$ 4,650	$ 5,765
9,150	12,632	6,058	8,100
7,980	5,624	6,731	4,257
1,301	1,793	1,513	772
$26,578	$26,664	$18,952	$18,894
$26,701	$23,733	$20,613	$17,682
$ 3,048	$ 3,418	$ 1,809	$ 504
$31,505	$25,650	$24,315	$20,183

AUDITORS' REPORT

Touche Ross

Touche Ross & Co
Chartered Accountants
301 Victoria Park Executive Centre
255 Dufferin Avenue
London Ontario N6A 5K6
Telephone 519 679 1880
Telecopier 519 679 2575

AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of
the City of London

We have examined the consolidated balance sheet of the Corporation of the City of London as at December 31, 1987 and the consolidated statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation of the City of London as at December 31, 1987 and the results of its operations for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

TOUCHE ROSS & CO.
Chartered Accountants,
Licence Number 1239

London, Canada,
March 23, 1988.

Touche Ross International

CONSOLIDATED BALANCE SHEET as at December 31, 1987

	1987 $	1986 $
ASSETS		
Unrestricted		
Cash	14,888,475	14,921,668
Taxes receivable	4,889,829	3,696,704
Accounts receivable	6,412,750	6,097,101
Other current assets	2,316,179	1,982,346
Long term receivables	253,425	184,712
Investment in own debentures	0	739
	28,760,658	26,883,270
Restricted		
Cash	29,193,588	18,929,736
Accounts receivable	138,970	272,500
Long term receivables	4,077,536	2,150,000
Investment in own debentures	1,188,856	1,562,222
	34,598,950	22,914,458
Capital outlay financed by long term liabilities and to be recovered in future years (note 1)	63,443,298	58,296,854
	126,802,906	108,094,582
LIABILITIES		
Temporary loans	0	0
Accounts payable and accrued liabilities	13,081,868	12,101,158
Other current liabilities	1,582,776	1,801,196
	14,664,644	13,902,354
Net long term liabilities (note 8)	63,443,298	58,296,854
Contingent liabilities (notes)		
FUND BALANCES AT THE END OF THE YEAR		
To be used to offset (or to be recovered from) taxation or user charges (note 9)	4,225,996	3,048,247
Unexpended capital financing (or capital operations not yet permanently financed) (note 9)	404,072	1,342,215
Reserves (note 10)	9,465,946	8,590,454
Reserve funds (note 10)	34,598,950	22,914,458
	126,802,906	108,094,582

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED STATEMENT OF OPER

	1987 $	1986 $
SOURCES OF FINANCING:		
Taxation and user charges		
Residential and farm taxation	124,216,717	114,405,139
Commercial, industrial and business taxation	78,048,345	73,064,863
Taxation from other governments	7,997,901	7,159,591
User charges	26,320,623	24,410,123
Deduct: Amounts received or receivable for school boards	(103,365,713)	(94,512,764)
Grants		
Government of Canada	1,728,348	192,733
Province of Ontario	70,420,692	65,995,261
Other municipalities	42,488	80,104
Other		
Contributions from developers	10,416,256	8,022,428
Investment income	4,590,734	4,168,546
Sale of land and other assets	1,324,263	816,221
Fines, penalties and interest on taxes	2,103,274	1,974,217
Miscellaneous	1,564,868	1,181,644
Proceeds from the issue of long term liabilities	14,033,334	9,150,000
MUNICIPAL FUND BALANCES AT THE BEGINNING OF THE YEAR (note 9)		
To be used to offset (or to be recovered from) taxation or user charges	3,048,247	3,417,744
Unexpended capital financing (or capital operations not yet financed)	1,342,215	1,465,600
Total financing available during the year	243,832,592	220,991,450

The accompanying notes are an

ATIONS For the year ended December 31, 1987

	1987 $	1986 $
APPLIED TO:		
Current operations		
General government	**17,982,971**	17,738,340
Protection to persons and property	**44,233,579**	41,460,146
Transportation services	**42,040,734**	41,482,301
Environmental services	**22,979,656**	23,534,373
Health services	**1,796,400**	1,620,396
Social and family services	**40,561,910**	36,695,335
Recreation and cultural services	**13,987,356**	13,028,602
Planning and development	**5,385,262**	4,253,457
	188,967,868	179,812,950
Capital		
General government	**849,384**	1,198,050
Protection to persons and property	**451,137**	1,137,308
Transportation services	**17,708,463**	12,090,095
Environmental services	**15,188,519**	11,516,460
Health services	**150,000**	0
Social and family services	**262,779**	451,038
Recreation and cultural services	**2,275,163**	1,933,497
Planning and development	**789,227**	2,606,276
	37,674,672	30,932,724
Net appropriations to reserves and reserve funds	**12,559,984**	5,855,314
MUNICIPAL FUND BALANCES AT THE END OF THE YEAR (note 9)		
To be used to offset (or to be recovered from) taxation or user charges	**4,225,996**	3,048,247
Unexpended capital financing (or capital operations not yet financed)	**404,072**	1,342,215
Total applications during the year	**243,832,592**	220,991,450

ntegral part of this financial statement.

NOTES TO THE FINANCIAL STATEMENTS

1. a) Accounting Policies

The consolidated financial statements of the Corporation of the City of London are the representation of management, prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations.

(i) Basis of Consolidation

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the following boards, municipal enterprises and utilities:

The Board of Commissioners of Police of the City of London
London Transit Commission
London Public Library Board
East London Improvement Area (also known as Centretown B.I.A.)
London Downtown Improvement Area

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

(ii) Non-Consolidated Entities

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated:

London Public Utilities Commission - Electrical Department
London Public Utilities Commission - Water Department
London Public Utilities Commission - Parks Department
London Public Utilities Commission - Recreation Department
London Public Utilities Commission - P.U.C. Sports and Recreation Incorporated
London Public Utilities Commission - Storybook Gardens
Middlesex-London District Health Unit
London Regional Art Gallery

(iii) Accounting for School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal fund balances of these financial statements. Overlevies (underlevies) are reported on the "Consolidated Balance Sheet" as "other current liabilities" ("other current assets").

(iv) Trust funds and their related operations administered by the municipality are not included in the "Consolidated Balance Sheet" nor have their operations been included on the "Consolidated Statement of Operations", but are reported on the "Trust Fund Statements of Continuity and Balance Sheets".

(v) Certain 1986 comparative figures have been reclassified to conform with the 1987 financial statement presentation.

b) Basis of Accounting

(i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long term liabilities and certain items relative to reserve funds which are charged against operations in the periods in which they are paid, or received.

(ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(iii) Fixed Assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. The cost of acquiring fixed assets is reported as an expenditure on the "Consolidated Statement of Operations" in the year of acquisition.

(iv) Capital Outlay to be Recovered in Future Years

"Capital outlay to be recovered in future years", which represents the outstanding principal portion of unmatured long term liabilities for municipal expenditures or capital funds transferred to other organizations, is reported on the "Consolidated Balance Sheet".

2. Operations of School Boards

Further to note 1 (a) (iii), the taxation, other revenues, expenditures and overlevies (underlevies) of the school boards are comprised of the following:

NOTES TO THE FINANCIAL STATEMENTS

	1987 $	1986 $
Taxation and User Charges	**103,365,713**	94,512,764
Less: Requisitions	**103,366,495**	94,507,180
Overlevies (underlevies) for the year	**(782)**	5,584
Overlevies (underlevies) at the beginning of the year	**2,892**	(2,692)
Overlevies (underlevies) at the end of the year	**2,110**	2,892

3. Contribution to Unconsolidated Joint Board

Further to note 1 (a) (ii), the following contribution was made by the municipality to this unconsolidated joint board:

	1987 $	1986 $
Middlesex-London District Health Unit	**1,796,400**	1,620,396

The municipality's share of the accumulated surplus of this joint board is as follows:

	1987 $	1986 $
Middlesex-London District Health Unit	**95,915**	33,182

4. Trust Funds

Trust funds administered by the Municipality amounting to **$4,209,687** (1986 - $4,149,329) have not been included in the "Consolidated Balance Sheet" nor have their operations been included in the "Consolidated Statement of Operations".

5. Pension Agreements

a) The Municipality makes contributions to the Ontario Municipal Employees Retirement Savings Pension Fund (OMERS), which is a multi-employer plan, on behalf of 2,232 members of its staff. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

NOTES TO THE FINANCIAL STATEMENTS

The amount contributed to OMERS for 1987 was **$4,076,556** (1986 - $3,747,822) for current service and is included as an expenditure on the "Consolidated Statement of Operations".

b) The City of London has a liability as at December 31, 1987 to the Ontario Municipal Employees Retirement Savings Pension Fund (OMERS) for supplementary benefits in the amount of **$6,213,387** (1986 - $7,178,072).

This liability consists of plans covering the following repayment periods: **$6,043,168** (1986 - $6,996,974) will be retired by annual payments over the next five years; **$170,219** (1986 - $181,098) will be retired by annual payments over the next ten years. These amounts are reviewed on a periodic basis in accordance with statutory requirements.

This liability is not recorded on the "Consolidated Balance Sheet" as at December 31, 1987.

c) The City of London does not fund its liability with respect to past service pensions payable under Section 100 of The Municipal Act. The past service portion of annual payments to retired employees is financed out of the revenue of the year in which payments are made. The amount paid during the year ended December 31, 1987 was **$253,665** (1986 - $258,338). The actual value of the outstanding liability has not been actuarially determined.

d) The London Transit Commission is the sponsor of a contributory defined benefit pension plan covering substantially all employees. The latest actuarial valuation occurred as at January 1, 1987 and employed actuarial assumptions and methods consistent with generally accepted actuarial principles.

The estimated accrued liability for pension benefits attributable to employee services rendered is **$1,205,194** (1986 - $294,293). The book value which approximates the market value of assets in the pension fund is **$1,611,498** (1986 - $631,026). The surplus of **$406,304** (1986 - $336,733) is not being amortized. Pension expense for the year is **$440,335** (1986 - $412,684).

6. Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Municipality's employment.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to **$14,800,000** (1986 - $14,140,000) at the end of the year. An amount of **$1,033,762** (1986 - $1,008,082) has been provided for this past service liability and is reported on the "Consolidated Balance Sheet".

NOTES TO THE FINANCIAL STATEMENTS

7. Liability for Vacation Credits

Under the provisions of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as at December 31, 1987 is **$3,529,000** (1986 - $3,217,000).

This liability is not recorded on the "Consolidated Balance Sheet".

8. Net Long Term Liabilities

	1987 $	1986 $
a) The balance of net long term liabilities reported on the "Consolidated Balance Sheet" is made up of the following:		
Total long term liabilities incurred by the municipality, including those incurred on behalf of school boards, unconsolidated local boards, municipal enterprises and utilities and outstanding at the end of the year amount to	**71,441,913**	64,783,137
The responsiblity for payment of certain principal and interest charges has been assumed by school baords, unconsolidated local boards, municipal enterprises and utilities. At the end of the year, the outstanding principal amount of this liability is	**(7,998,615)**	(6,486,283)
Net long term liabilities at the end of the year	**63,443,298**	58,296,854

b) Of the net long term liabilities reported in (a) of this note, $42,243,436 in principal payments are payable from 1988 to 1992, $21,039,862 from 1993 to 1997, and $160,000 in 1998 and thereafter. These are summarized as follows:

	1988 to 1992 $	1993 to 1997 $	1998 and thereafter $
- from general municipal revenues	40,003,776	20,587,292	160,000
- from benefitting landowners	444,511	120,790	--
- from other sources	1,795,149	331,780	--
	42,243,436	21,039,862	160,000

c) Included in "Net long term liabilities" on the "Consolidated Balance Sheet" is an amount of **$7,935,952** (1986 - $8,924,548) payable in U.S. dollars, which was converted into Canadian dollars at the rate of exchange prevailing when the liability was incurred. If the liability is converted into Canadian dollars at the exchange rate prevailing at December 31, 1987, the liability would be increased by **$2,204,024** (1986 - $3,525,196).

d) The City issues debentures for the cost of acquiring and servicing industrial land, and operates, in accordance with Section 210(50) of the Municipal Act, a reserve fund through which the proceeds from the sale of land are used for repayment of debenture debt. The selling price of the land is established at a rate which will recover the total acquisition, financing and servicing costs. The repayment of this debt is a direct and general obligation of the Corporation of the City of London. As at December 31, 1987 the amount of outstanding debentures to be retired from future sales of land is **$2,126,929** (1986 - $2,332,588).

e) Approval of the Ontario Municipal Board, or Order in Council, has been obtained for the long term liabilities in (a) issued in the name of the Municipality.

f) The Municipality is contingently liable for those long term liabilities for which the responsibility for the payment of principal and interest has been assumed by other municipalities, school boards and unconsolidated local boards, municipal enterprises, and utilities. The total amount outstanding as at December 31, 1987 is **$7,998,615** (1986 - $6,486,283) and is not recorded on the "Consolidated Balance Sheet".

9. Municipal Fund Balances at the End of the Year

a) The Municipal Fund Balances at the End of the Year on the "Consolidated Statement of Operations" totalling **$4,630,068** (1986 - $4,390,462) are comprised of the following:

	1987 $	1986 $
- for general reduction of taxation	**4,225,996**	3,048,247
- acquisition of fixed assets to be financed from the proceeds of long term liabilities	**(4,576,851)**	(1,334,139)
- acquisition of fixed assets to be recovered through reserves and reserve funds	**(71,373)**	(244,673)
- acquisition of fixed assets to be recovered through grants and donations	**(577,832)**	(589,991)
- funds available for the acquisition of fixed assets	**5,630,128**	3,511,018
	4,630,068	4,390,462

b) Approval of the Ontario Municipal Board, or an Order in Council, has been obtained for the pending issue(s) of long term liabilities and for those commitments to be financed from revenues beyond the term of Council. As at December 31, 1987, approval has been obtained for approximately **$14,000,000.**

10. Reserves and Reserve Funds

The total balances of reserves and reserve funds of **$9,465,946** (1986 - $8,590,454) and **$34,598,950** (1986 - $22,914,458) respectively are made up of the following:

	1987 $	1986 $
Reserves set aside for specific purposes by Council		
- for working capital	**4,856,766**	4,256,766
- for contingencies	**3,010,054**	2,465,176
- for economic growth	**456,717**	572,129
- for the acquisition of fixed assets	**309,089**	231,998
- for self insurance	**—**	331,500
- for workers' compensation	**330,801**	313,318
- for transit fare stabilization	**202,519**	269,567
- for municipal elections	**300,000**	150,000
Total Reserves	**9,465,946**	8,590,454

NOTES TO THE FINANCIAL STATEMENTS

	1987 $	1986 $
Reserve funds set aside for specific purposes by Council		
- for the acquisition of fixed assets		
- vehicles	6,877,905	6,741,456
- facilities	5,359,029	3,624,665
- for recreation programs and facilities	497,804	263,768
- for park purposes	181,857	175,196
- for self insurance	1,810,146	760,519
- for sick leave	1,033,762	1,008,082
- for capital grants	1,084,692	496,529
- for industrial oversizing	1,651,328	1,232,310
- for Urban Growth Capital Works	12,130,174	6,612,752
- Downtown Facade Improvement Program	118,336	80,411
- for reduction of 1988 mill rate	813,418	--
	31,558,451	20,995,688
Reserve funds set aside for specific purposes by legislation, regulation, or agreement		
- for park purposes	2,210,571	1,646,451
- for industrial land debt retirement	827,568	270,085
- for parking purposes	2,360	2,234
	3,040,499	1,918,770
Total Reserve Funds	34,598,950	22,914,458

11. Charges for Net Long Term Liabilities

Total charges for the year for net long term liabilities which are reported on the "Consolidated Statement of Operations" are as follows:

	1987 $	1986 $
Principal payments	8,886,890	8,696,939
Interest	5,854,006	5,876,573
	14,743,896	14,573,512

The charges for long term liabilities assumed by the non-consolidated entities are not reflected in these statements.

NOTES TO THE FINANCIAL STATEMENTS

12. Urban Growth Capital Works Reserve Fund

Since 1973, the City, pursuant to a by-law passed under the authority of private legislation and approved by the Ontario Municipal Board, has imposed development charges at specified rates whenever building permits are issued for the purpose of constructing boundary roads and outlet sewers, among other things, and has paid such charges into a reserve fund. Developers and subdividers constructing facilities whose costs are eligible for this reimbursement from the City are committed to having their claims paid from this reserve fund as and when sufficient amounts have accumulated to meet individual claims.

The total amount of outstanding claims against the reserve fund at the year- end are as follows:

	1987 $	1986 $
Value of claims received but not authorized for payment	**5,298,136**	52,189
Value of claims received and authorized for payment	**2,139,844**	851,420
	7,437,980	903,609

The balance in the Urban Growth Capital Works Reserve Fund as at December 31, 1987 was **$12,130,174** (1986 - $6,612,752).

13. Contingent Liabilities

a) The London Transit Commission is under contract to purchase ten transit coaches at a cost of $1,759,200, which is to be financed as follows:

	$
Ministry of Transportation & Communications	1,319,400
Municipal Contribution	439,800
	1,759,200

b) The London Downtown Improvement Area rents premises under a long-term operating lease which expires May, 1991, the annual rental for which is approximately $4,900. The aggregate rental payable to the expiry date amounts to $17,150. There is an option to extend the lease a further five years at an annual rental to be negotiated.

NOTES TO THE FINANCIAL STATEMENTS

c) The City of London has guaranteed the repayment of prinicipal and interest with respect to a $1,500,000 debenture issue by Covent Garden Parking Inc. The issue of these debentures pertains to the construction of a parking garage at St. Joseph's Hospital.

The amount of this contingent liability is highlighted in the following table:

	1987 $	1986 $
Outstanding Principal December 31	790,000	886,000
Future Interest Payments	260,225	337,750
	1,050,225	1,223,750

This obligation will be retired by the end of 1993. Ontario Municipal Board approval was received for this agreement.

d) As at December 31, 1987, certain legal actions and other contingent liabilities are pending against the Municipality. An estimate of the contingency cannot be made since the outcome of these matters is indeterminate at this time.

14. Nonaccrual of Interest on Long Term Liabilities

No provision has been made in these financial statements for the accrual of interest on the net long term liabilities. Had this provision been made, the municipal fund balances as at December 31, 1987 would have been decreased by $879,971 (1986 - $957,336).

15. Contractual Obligation - Ministry of the Environment

In accordance with an agreement entered into by the Municipality in 1967 with the Ministry of the Environment, a water pipeline owned and operated by the Ministry was constructed from Lake Huron to our pumping station in Arva. The Municipality is obligated to meet our proportionate share of the operating costs of this pipeline and to repay our proportionate share of the long term liabilities related to this project.

The "Consolidated Statement of Operations" does not include any charges from the Ministry as these are paid by the Public Utilities Commission. The "Consolidated Balance Sheet" does not reflect any assets or liabilities pertaining to the water pipeline.

NOTES TO THE FINANCIAL STATEMENTS

Information received from the Ministry as at March 31, 1987, indicates the following:

	Accumulated Net (Deficit) $	Debt Charges $	Total Outstanding Long Term Liabilities $
Water system - share of integrated project	(1,930,000)	1,824,000	20,165,000

16. Budget Figures

Budgets established for Capital Funds, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been reflected on the "Consolidated Statement of Operations".

17. Public Liability Insurance

In recent years there have been substantial increases in the premiums charged by the insurance industry for public liability insurance. As a result, the Municipality has undertaken some portion of the risk, which would normally have been covered by outside insurers.

The City and its various Boards and Commissions are self insured for public liability claims for varying amounts ranging up to $250,000 for any individual claim and $250,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits.

The Municipality has made provision for a reserve fund for self insurance which as at December 31, 1987 amounted to **$1,810,146** (1986 - $1,092,019) and is reported on the "Consolidated Balance Sheet". The provision for the year of **$999,067** (1986 - $783,188) has been reported as an expenditure on the "Consolidated Statement of Operations". The Municipality will maintain the balance of the reserve funds based on actuarially determined levels necessary to accommodate projected claims.

Claims settled during the year amounting to **$362,420** (1986 - $237,879) have been provided for from reserve funds, and are accordingly reported as an expenditure on the "Consolidated Statement of Operations".

There were no major claims unsettled as at December 31, 1987. The City's share of total claims reserves outstanding as at December 31, 1987 is **$469,000** (no comparable figures available for 1986).

AUDITORS' REPORT
TRUST FUNDS

Touche Ross

Touche Ross & Co
Chartered Accountants
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AUDITORS' REPORT

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of
the City of London

We have examined the balance sheet of the trust funds of the Corporation of the City of London as at December 31, 1987 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as described in the following paragraph.

The trust funds of the Corporation of the City of London derive receipts from donations and deposits for residents of the home for the aged which by their nature are not susceptible to complete audit verification. Accordingly, our verification of such receipts was limited to accounting for the amounts recorded in the records of the Corporation.

In our opinion, except for the effect of any adjustments which might have been required had receipts from donations and deposits for residents of the homes for the aged been susceptible to complete audit verification, these financial statements present fairly the financial position of the trust funds of the Corporation of the City of London as at December 31, 1987 and the continuity of trust funds for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

TOUCHE ROSS & CO.

Chartered Accountants
Licence Number 1239

London, Canada,
March 23, 1988.

Touche Ross International

TRUST FUNDS—STATEMENT OF CONTINUITY & BALANCE SHEET

STATEMENT OF CONTINUITY FOR THE YEAR ENDED DECEMBER 31, 1987

	1987 $	1986 $
Balance at the beginning of the year	4,149,329	4,195,082
Revenue		
Capital Receipts	3,774,351	3,271,964
Interest Earned	275,486	280,484
	4,049,837	3,552,448
Expenditures		
Transfer to Reserve Fund	0	46,380
Forgiveness Earned	139,927	128,312
Maintenance Payments - Dearness Home	3,258,894	3,233,392
Miscellaneous	590,658	190,117
	3,989,479	3,598,201
Balance at the end of the year	4,209,687	4,149,329

BALANCE SHEET AS AT DECEMBER 31, 1987

	1987 $	1986 $
Assets		
Cash and Short Term Deposits	2,249,544	2,278,846
Accounts Receivable	1,293,108	1,287,154
Investments	667,035	583,329
	4,209,687	4,149,329
Liabilities		
Accounts Payable		
Fund Equity	4,209,687	4,149,329
	4,209,687	4,149,329

The accompanying notes are an integral part of this financial statement.

NOTES TO THE TRUST FUND STATEMENTS

1. Accounting Policies

a) Basis of Consolidation:

These statements reflect the assets, liabilities, revenues and expenditures of the trust funds of the following boards, municipal enterprises and utilities:

The Board of Commissioners of Police of the City of London
London Transit Commission
London Public Library Board
East London Improvement Area (also known as Centretown B.I.A.)
London Downtown Improvement Area

b) Non-Consolidated Entities:

The following local boards, joint local boards, municipal enterprises and utilities are not consolidated in these statements:

London Public Utilities Commission - Electrical Department
London Public Utilities Commission - Waterworks Department
London Public Utilities Commission - Parks Department
London Public Utilities Commission - Recreation Department
London Public Utilities Commission - P.U.C. Sports and Recreation Incorporated
London Public Utilities Commission - Storybook Gardens
Middlesex-London District Health Unit
London Regional Art Gallery

c) Basis of Accounting:

Revenues and expenditures are reported on the accrual basis of accounting with the exception of interest earned on investments which are recorded in the period received.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

d) Investments:

The total investments of **$667,035** (1986 - $583,329) are reported at cost which is also the market value as at December 31.

e) Ontario Home Renewal Program:

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans are limited to $7,500 of which the maximum forgivable portion is $4,000.

NOTES TO THE TRUST FUND STATEMENTS

Ontario Home Renewal Program loans receivable at December 31, 1987 comprise repayable loans of **$500,892** (1986 - $568,177) and forgivable loans of **$625,731** (1986 - $539,555). Loan forgiveness is earned and recorded at a rate of up to $600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the home-owner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.

ACCOUNTANTS' REPORT

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Touche Ross

ACCOUNTANTS' REPORT

Our examination of the consolidated financial statements of the Corporation of the City of London for the year ended December 31, 1987 was made for the purpose of forming an opinion on the basic financial statements referred to in our auditors' report to the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London dated March 23, 1988. The Consolidated Schedules of Current Operations, Capital Operations and Reserves and Reserve Funds are provided for purposes of additional information and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the examination of the basic financial statements and accordingly we do not express an opinion on the fair presentation of the information referred to above.

Touche Ross & Co.

TOUCHE ROSS & CO.

Chartered Accountants
Licence Number 1239

London, Canada,
March 23, 1988.

Touche Ross International

CONSOLIDATED SCHEDULE OF CURRENT OPERATIONS

For the year ended December 31, 1987

	Budget 1987 $	Actual 1987 $	Actual 1986 $
Revenue			
Taxation and User Charges			
Residential and farm taxation	121,983,648	124,216,717	114,405,139
Commercial, industrial and business taxation	78,285,024	78,048,345	73,064,863
Taxation from other governments	6,853,685	7,997,901	7,159,591
User charges	27,586,946	26,129,666	23,836,016
Deduct:			
Amount received or receivable on behalf of school boards	(102,360,147)	(103,365,713)	(94,512,764)
Grants			
Government of Canada	0	28,393	28,103
Province of Ontario	62,661,343	62,691,874	58,015,166
Other municipalities	3,923	42,488	80,104
Other			
Investment income	1,972,150	2,093,663	2,143,603
Miscellaneous	925,525	2,470,244	2,377,856
Net municipal revenue	197,912,097	200,353,578	186,597,677
Expenditures			
General government	18,612,344	16,960,468	16,560,456
Protection to persons and property	44,088,802	44,233,579	41,460,146
Transportation services	43,187,018	42,040,734	41,482,301
Environmental services	23,890,812	22,979,656	23,534,373
Health services	1,796,400	1,796,400	1,620,396
Social and family services	40,215,591	40,561,910	36,695,335
Recreation and cultural services	14,142,480	13,987,356	13,028,602
Planning and development	4,233,075	4,702,984	3,671,807
Total Expenditures	190,166,522	187,263,087	178,053,416
Net transfer (to) from other funds			
Reserves and Reserve Funds	(8,439,700)	(9,820,525)	(6,995,838)
Capital Operations	(2,058,965)	(2,092,217)	(1,917,920)
Total net transfer	(10,498,665)	(11,912,742)	(8,913,758)
Surplus (deficit) for the year	(2,753,090)	1,177,749	(369,497)
Surplus (deficit) at the beginning of the year	2,753,090	3,048,247	3,417,744
Surplus (deficit) at the end of the year	0	4,225,996	3,048,247

CONSOLIDATED SCHEDULE OF CAPITAL OPERATIONS

For the year ended December 31, 1987

	1987 $	1986 $
Sources of funds		
Long term liabilities incurred	14,033,334	9,150,000
Ontario Grants	7,728,818	7,980,095
Federal Grants	1,699,955	164,630
Other	962,431	1,136,169
Net transfers from other funds		
- current operations	2,092,217	1,917,920
- reserve funds	4,552,810	6,229,101
	31,069,565	26,577,915
Expenditures		
General government	849,384	1,198,050
Protection to persons and property	451,137	1,137,308
Transportation services	13,174,892	8,704,956
Health services	150,000	0
Environmental services	14,055,126	10,670,175
Social and family services	262,779	451,038
Recreation and cultural services	2,275,163	1,933,497
Planning and development	789,227	2,606,276
	32,007,708	26,701,300
Unexpended capital financing (or capital operations not yet financed) at the beginning of the year	1,342,215	1,465,600
Unexpended capital financing (or capital operations not yet financed) at the end of the year	404,072	1,342,215

CONSOLIDATED SCHEDULE OF RESERVES & RESERVE FUNDS
For the year ended December 31, 1987

	1987 $	1986 $
Balance at the beginning of the year	**31,504,912**	25,649,598
Revenues		
Contributions from revenue fund	**10,038,632**	7,272,949
Contributions from capital fund	**50,000**	77,500
Contributions from developers	**10,416,256**	8,022,428
Investment income	**2,481,576**	2,024,943
Sale of industrial land	**150,900**	268,677
Grants	**303,927**	0
Other	**1,311,355**	763,487
	24,752,646	18,429,984
Expenditures		
Transfers to capital fund	**4,602,810**	6,306,601
Transfers to revenue fund	**218,107**	277,111
Charges for long term liabilities	**682,278**	581,650
Payments to developers	**5,666,964**	4,231,424
Other	**1,022,503**	1,177,884
	12,192,662	12,574,670
Balance at the end of the year	**44,064,896**	31,504,912
Reserves		
Working capital	**4,856,766**	4,256,766
Contingencies	**3,010,054**	2,465,176
Economic growth	**456,717**	572,129
Acquisition of fixed assets	**309,089**	231,998
Self insurance	**0**	331,500
Workers' compensation	**330,801**	313,318
Transit fare stabilization	**202,519**	269,567
Municipal elections	**300,000**	150,000
Total Reserves	**9,465,946**	8,590,454
Reserve funds		
Acquisition of fixed assets		
- Vehicles	**6,877,905**	6,741,456
- Facilities	**5,361,389**	3,626,899
Recreational programs & facilities	**497,804**	263,768
Park purposes	**2,392,428**	1,821,647
Self insurance	**1,810,146**	760,519
Sick leave	**1,033,762**	1,008,082
Capital grants	**1,084,692**	496,529
Industrial oversizing	**1,651,328**	1,232,310
Urban growth capital works	**12,130,174**	6,612,752
Industrial land debt retirement	**827,568**	270,085
Downtown Facade Improvement Program	**118,336**	80,411
Reduction of 1988 Mill Rate	**813,418**	0
Total Reserve Funds	**34,598,950**	22,914,458
Total Reserves and Reserve Funds	**44,064,896**	31,504,912

THE URBAN HEART OF SOUTHWESTERN ONTARIO